

City of Alexandria, Virginia

10
9-25-01

MEMORANDUM

DATE: SEPTEMBER 19, 2001

TO: THE HONORABLE MAYOR AND MEMBERS OF CITY COUNCIL

FROM: PHILIP SUNDERLAND, CITY MANAGER *ps*

SUBJECT: MONTHLY FINANCIAL REPORT FOR THE PERIOD ENDING AUGUST 31, 2001

ISSUE: Receipt of the City's Monthly Financial Report for the period ending August 31, 2001.

RECOMMENDATION: That City Council receive the following Monthly Financial Report for the period ending August 31, 2001.

DISCUSSION: This report provides financial information on revenues and expenditures of the General Fund for the period July 1, 2001 through August 31, 2001. This report presents revenues and expenditures for the same period for Fiscal Year 2001 for comparative purposes (Attachments 1 and 2), and also provides a summary of selected economic indicators (Attachment 3). As discussed below, property tax collections through August 15, 2001 and collections of most other local taxes through the end of August 2001 are counted as revenues of the fiscal year ended June 30, 2001 and will be reported in the City's audited Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2001. Accordingly, FY 2002 revenues through August 31, 2001 in the amount of \$14.7 million, total just 4.2 percent of the approved budget estimate. This revenue recognition pattern is normal in governmental accounting. General Fund expenditures through the end of August total \$56.7 million, or 15.3 percent higher than expenditures at the same time last year. The primary increase relates to a planned increase in transfers to the City's capital project funds.

While July and August revenues were generally on track with expectations, given the plane crash into the Pentagon and the suspension of flights into and out of Reagan National Airport, City September revenues are expected to show a major decrease in certain tax categories (transient occupancy, restaurant meals, sales) which are generated all or in part by tourism and business travel. While it is expected that tourism and business travel will increase from the extremely low levels of mid-September, it is not known by how much and by when. This is because tourism and business travel levels will be impacted by the status of Reagan National Airport, airline scheduling and the public's perceptions of flying safety, as well as the state of the national economy and corporate travel budgets. As a result, projecting current year revenues will be a task much more complicated and with more unknowns than usual. That is why Finance and OMB staff will be paying close attention to every tax revenue category for the foreseeable future. In order to help stem the loss of tourism and business travel, the Alexandria Convention and Visitors Association (ACVA) and the

Monthly Financial Report for the Period Ending August 31, 2001

Alexandria Hotel Association have begun to amend their marketing plans to target their efforts to groups and individuals (such as potential tourists who live within driving distance of Alexandria) who might be convinced to visit or hold their business meeting in Alexandria.

In accordance with accounting and reporting requirements established by the Governmental Accounting Standards Board (GASB) and the Auditor of Public Accounts for the Commonwealth of Virginia (APA), revenues collected by the City's agents prior to June 30, 2001, but not actually received by the City until July or August, are counted as revenues for the fiscal year ended June 30, 2001. The accrued revenues include:

- sales tax collected by merchants in May and June, forwarded to the Commonwealth in June and July, and remitted to the City in July and August;
- consumer utility tax billed by the utility companies in May and June, collected by the utility companies in June and July, and remitted to the City in July and August;
- transient lodging tax revenue collected by Alexandria hotels in June and remitted to the City in July;
- restaurant meals tax revenue collected by restaurants in June and remitted to the City in July;
- tobacco tax revenue collected by the Northern Virginia Cigarette Board in June and remitted to the City in July; and
- real estate recordation tax revenue collected by the Clerk of the Circuit Court in June and remitted to the City in July.

The GASB also requires the City to recognize certain tax revenues when they are "measurable and available." Tax revenues are deemed to be "measurable" when they are levied, and the APA has defined "available" to include tax collections within 45 days of the fiscal year end. Accordingly, collections after June 30, 2001 in the following categories will be counted as revenues for the fiscal year ended June 30, 2001:

- real property tax,
- personal property tax,
- property tax penalties and interest payments, and
- business license tax.

FISCAL YEAR 2001 ENDING STATUS: At this time, the City's external auditors are auditing and reviewing the City's accounts and records in relation to FY 2001 expenditures and revenues. While the actual outcome of the FY 2001 audit will not be known until after the auditor's work is completed, preliminary financial information can be reported at this time. This information is subject to change and adjustment as a result of the auditor's ongoing review. Final revenues and expenditures will be reported in the City's Comprehensive Annual Financial Report expected to be completed, printed and issued in November. At this time General Fund revenues are expected to be \$337.0 million, \$1.1 million higher than that projected in June. This is primarily attributable to increased business license tax collections.

Monthly Financial Report for the Period Ending August 31, 2001

REVENUES (Attachment 1): As of August 31, 2001, actual General Fund revenues totaled \$14.7 million, a decrease of \$0.3 million, or 19.5 percent, as compared to revenues for the same period last year. It should be noted that revenue trends early in the fiscal year are highly sensitive to small changes in the timing of receipts and bear little relationship to final revenues. Staff will monitor revenues each month and will begin to project end-of-year revenues based on trends over the next few months. Unless otherwise noted, revenues to date reflect expected trends.

Personal Property Taxes: Personal property tax bills, which were mailed by August 10, 2001, are due on October 5, 2001. The FY 2002 Approved Budget includes a \$29.6 million revenue projection for tax revenue collected directly by the City and includes an additional \$20.1 million of intergovernmental revenue that the City collects from the Commonwealth under the provisions of the Personal Property Tax Relief Act of 1998 (PPTRA). The State's share of the local personal property tax payment this year is 70.0 percent of most taxpayers' payments. The State's share for FY 2001 was 47.5 percent. The total for all budgeted revenues related to the personal property tax for FY 2002 is \$49.7 million.

To date, the City has collected \$4.4 million in personal property tax revenue and has received reimbursement from the Commonwealth of \$3.2 million for total personal property tax receipts of \$7.6 million. This represents a \$0.8 million increase when compared to receipts collected at the same time last year. The increase is primarily attributable to timing differences in the collection of the tax. Revenues to date represent current year payments made before the due date and payments received on delinquent accounts. Staff will continue to monitor revenues closely. No clear trends will be evident until October receipts are tabulated in November; however, it appears that the total budgeted revenues related to the personal property (of \$49.7 million) tax will be achieved.

Personal Property Tax (in millions)	Actual to Date FY 2001	Budget FY 2002	Actual to Date FY 2002
City share	\$ 5.3	\$ 29.6	\$ 4.4
Commonwealth reimbursement	<u>1.5</u>	<u>20.1</u>	<u>3.2</u>
Total	\$ 6.8	\$ 49.7	\$ 7.6

Local Sales and Use Taxes: Businesses remit sales tax to the Commonwealth within 30 days of the end of the month in which sales occurred. The Commonwealth wires the City's portion of the sales tax approximately one month later. Sales taxes received by the City in August represent revenues collected by merchants in June and will be counted as revenues for the fiscal year ended June 30, 2001. As a result, the first FY 2002 sales tax revenues will not be received until September.

Monthly Financial Report for the Period Ending August 31, 2001

Consumer Utility Taxes: Consumer utility taxes are collected by the utility companies one month after billing and are remitted to the City the following month. As discussed above, consumer utility taxes received by the City in August represent revenues collected by the utilities in June and will be counted as revenues for the fiscal year ended June 30, 2001.

Business License Taxes: The City's business license tax is due March 1. Collections to date, in the amount of \$0.1 million, represent filings by new businesses and payments on delinquent accounts.

Transient Lodging Taxes: Transient lodging taxes are remitted to the City within one month after collections, therefore, the revenue reflected in this report represents collections by hotels for July 2001. Collections total \$0.4 million, a decrease of \$0.1 million below collections for the same period last year. This decrease is primarily the result of two hotels making August payments in September.

Real Estate Recordation Taxes: Real estate recordation tax revenues are collected by the Clerk of the Circuit Court and remitted to the City the following month. Collections, in the amount of \$0.2 million, increased \$0.4 million, or 26.5 percent, over collections at this time last year. The increase is primarily attributable to commercial property sales.

Other Local Taxes: This category includes bank franchise taxes, telecommunications right-of-way tax, cable TV franchise taxes, daily rental taxes and other miscellaneous taxes. Revenues decreased \$0.2 million over collections at this time last year. This decrease relates to the timing of the receipt of the City's telecommunications tax from a large telecommunications provider.

Licenses and Permits: Revenues increased \$0.3 million, or 43.5 percent, over collections at this time last year. This increase is attributable to permits issued for units at Old Town Greens.

Revenue from Use of Money and Property: Revenues decreased \$0.3 million largely due to declining market interest rates on City short term investments.

Revenues from the Federal Government: The City's General Fund revenues from the federal government are primarily for federal prisoner per diem. The City has billed \$0.9 million for housing federal prisoners through the period ending July 31, 2001; however, only \$0.4 million has been received as of August 31. The federal government generally pays the City for housing federal prisoners between 45 and 60 days after the end of the billing period.

Revenues from the Commonwealth: Revenues from the Commonwealth increased \$1.3 million, or 54.7 percent over the prior year. This is primarily a result of an increase in reimbursements from the Commonwealth for vehicle personal property tax relief. As discussed above in the personal property tax section, the FY 2002 Approved Budget includes \$20.1 million to reflect the City's reimbursement of the 70.0 percent vehicle personal property tax relief due from the Commonwealth

Monthly Financial Report for the Period Ending August 31, 2001

to most vehicle owners. For FY 2001 the City was reimbursed for 47.5 percent for most vehicles. As of August 31, 2001, the City has billed and received \$3.2 million from the Commonwealth for PPTRA, an increase of \$1.7 million over that received in FY 2001. This increase is offset by the later receipt of reimbursements from the State for the Office of Sheriff operations.

Other Revenue: Other revenues include gifts and donations, damage recoveries and recovered costs.

EXPENDITURES (Attachment 2): As of August 31, 2001, actual General Fund expenditures totaled \$56.7 million, an increase of \$7.5 million, or 15.3 percent, over expenditures for the same period last year. The increase is primarily attributable to budgeted increases of \$ 2.2 for cash capital and \$1.7 million in annual equipment replacement charges made at the beginning of the fiscal year. Except as noted below, this expenditure pattern reflects the Approved FY 2002 Budget.

Other Planning Activities: General Fund expenditures in this category reflect first quarter contribution payments to community agencies except for the Alexandria Convention and Visitors Association which represents the first two quarterly payments for FY 2002.

Transit Subsidies: Expenditures to date reflect the City's first quarterly payment to the Washington Metropolitan Area Transit Authority (WMATA) for Fiscal Year 2002.

Health: The City receives a quarterly billing from the Commonwealth (approximately \$0.8 million per quarter) for services provided at the Health Department. As of August 31, 2001, the first quarterly billing had not been received.

Recreation: Expenditures reflect seasonal employee costs incurred during the summer.

Other Education Activities: Expenditures to date reflect the first quarter contribution payment to the Northern Virginia Community College.

Non-Departmental: General Fund expenditures in this category reflect budgeted expenditures for the City's contributions to the public safety pension plan, senior citizens' rent relief, payment for the City's liability insurance, the public radio system, and the City's share of debt service on the Northern Virginia Transportation District bonds issued by the Commonwealth in November 1999.

Cash Matches (MH/MR/SA, Human Services, Library and Miscellaneous Grants): To comply with grant awards, the City's share funding is transferred from the General Fund to the Special Revenue Fund at the end of the fiscal year.

Monthly Financial Report for the Period Ending August 31, 2001

ATTACHMENTS:

Attachment 1 - Comparative Statement of Revenues

Attachment 2 - Comparative Statement of Expenditures & Transfers by Function

Attachment 3 - Selected Economic Indicators

STAFF:

Mark Jinks, Assistant City Manager for Fiscal and Financial Affairs

D. A. Neckel, Director of Finance

Laura Triggs, Deputy Director of Finance/Comptroller

**CITY OF ALEXANDRIA, VIRGINIA
COMPARATIVE STATEMENT OF REVENUES
GENERAL FUND
FOR THE PERIODS ENDING AUGUST 31, 2001 AND AUGUST 31, 2000**

	FY2002 APPROVED BUDGET	FY2002 REVENUES THRU 08/31/01	% OF BUDGET	FY2001 REVENUES THRU 08/31/00
General Property Taxes				
Real Property Taxes.....	\$ 163,620,000	\$ 187,848	0.1%	\$ 544,738
Personal Property Taxes.....	29,597,220	4,365,239	14.7%	5,285,329
Penalties and Interest.....	2,000,000	144,764	7.2%	103,888
Total General Property Taxes	\$ 195,217,220	\$ 4,697,851	2.4%	\$ 5,933,955
Other Local Taxes				
Local Sales and Use Taxes.....	\$ 21,600,000	\$ -	-	\$ -
Consumer Utility Taxes.....	15,000,000	-	-	-
Business License Taxes.....	20,800,000	141,374	0.7%	189,891
Transient Lodging Taxes.....	6,200,000	422,010	6.8%	554,853
Restaurant Meals Tax.....	8,700,000	651,982	7.5%	647,729
Tobacco Taxes.....	1,600,000	141,567	8.8%	144,190
Motor Vehicle License Tax.....	2,300,000	404,705	17.6%	355,410
Real Estate Recordation.....	1,400,000	189,685	13.5%	150,000
Other Local Taxes.....	3,528,000	19,630	0.6%	177,864
Total Other Local Taxes	\$ 81,128,000	\$ 1,970,953	2.4%	\$ 2,219,937
Intergovernmental Revenues				
Revenue from the Federal Government....	\$ 4,290,000	\$ 433,065	10.1%	\$ 413,812
Revenue from the Commonwealth.....	39,218,000	3,720,708	9.5%	2,404,895
Total Intergovernmental Revenues	\$ 43,508,000	\$ 4,153,773	9.5%	\$ 2,818,707
Other Governmental Revenues				
Fines and Forfeitures.....	\$ 4,376,000	\$ 594,568	13.6%	\$ 603,405
Licenses and Permits.....	3,800,000	1,069,470	28.1%	745,162
Charges for City Services.....	9,068,600	685,763	7.6%	805,722
Revenue from Use of Money & Property.	8,395,000	1,454,826	17.3%	1,781,352
Other Revenue.....	359,000	116,894	32.6%	128,986
Total Other Governmental Revenues	\$ 25,998,600	\$ 3,921,521	15.1%	\$ 4,064,627
TOTAL REVENUE	\$ 345,851,820	\$ 14,744,098	4.3%	\$ 15,037,226
Appropriated Fund Balance				
General Fund.....	3,506,000	-	-	-
Reappropriation of FY 2000 Encumbrances	-	-	-	-
And Other Supplemental Appropriations..	-	-	-	-
TOTAL	\$ 349,357,820	\$ 14,744,098	4.2%	\$ 15,037,226

16.7% of Fiscal Year Completed
17.31% of Payrolls Processed

Attachment 2

CITY OF ALEXANDRIA, VIRGINIA
COMPARATIVE STATEMENT OF EXPENDITURES & TRANSFERS BY FUNCTION
GENERAL FUND
FOR THE PERIODS ENDING AUGUST 31, 2001 AND AUGUST 31, 2000

FUNCTION	FY2002 APPROVED BUDGET	FY2002 EXPENDITURES THRU 08/31/01	% OF BUDGET	FY2001 EXPENDITURES THRU 08/31/00
Legislative & Executive.....	\$ 4,451,759	\$ 696,339	15.6%	\$ 635,790
Judicial Administration.....	\$ 24,465,605	\$ 4,417,276	18.1%	\$ 4,138,860
Staff Agencies				
Information Technology Services.....	\$ 5,711,401	\$ 811,249	14.2%	\$ 715,860
Management & Budget.....	894,337	103,209	11.5%	108,773
Finance.....	6,703,739	1,101,466	16.4%	945,706
Real Estate Assessment.....	947,458	119,978	12.7%	150,151
Personnel.....	1,969,229	356,770	18.1%	325,730
Planning & Zoning.....	2,876,283	401,405	14.0%	275,878
Other Planning Activities.....	2,052,948	806,031	39.3%	664,545
City Attorney.....	1,339,873	217,040	16.2%	189,232
Registrar.....	738,422	100,211	13.6%	85,634
General Services.....	8,852,844	1,401,259	15.8%	1,347,712
Total Staff Agencies	\$ 32,086,534	\$ 5,418,618	16.9%	\$ 4,809,221
Operating Agencies				
Transportation & Environmental Services.....	\$ 19,775,113	\$ 3,095,661	15.7%	\$ 2,634,161
Fire.....	25,388,689	4,679,646	18.4%	4,016,026
Police.....	35,151,151	6,851,825	19.5%	5,934,495
Transit Subsidies.....	2,923,687	801,327	27.4%	786,765
Housing.....	931,628	137,454	14.8%	119,031
Mental Health/Mental Retardation/ Substance Abuse.....	551,906	228,126	41.3%	172,846
Health.....	6,409,445	200,465	3.1%	185,085
Human Services.....	6,816,183	1,011,848	14.8%	966,538
Historic Resources.....	2,047,651	322,324	15.7%	303,969
Recreation.....	14,171,582	2,925,923	20.6%	2,707,583
Total Operating Agencies	\$ 114,167,035	\$ 20,254,599	17.7%	\$ 17,826,499
Education				
Schools.....	\$ 107,269,189	\$ 10,310,820	9.6%	\$ 8,553,270
Other Educational Activities.....	12,923	3,231	25.0%	3,254
Total Education	\$ 107,282,112	\$ 10,314,051	9.6%	\$ 8,556,524
Capital, Debt Service and Miscellaneous				
Debt Service.....	\$ 15,458,336	\$ 1,306,001	8.4%	\$ 1,392,275
Non-Departmental.....	7,393,241	1,559,489	21.1%	1,343,018
Cash Capital.....	12,020,000	12,020,000	100.0%	9,846,000
Contingent Reserves.....	1,197,189	-	-	-
Total Capital, Debt Service and Miscellaneous	\$ 36,068,766	\$ 14,885,490	41.3%	\$ 12,581,293
TOTAL EXPENDITURES	\$ 318,521,811	\$ 55,986,373	17.6%	\$ 48,548,187
Cash Match (Mental Health/Mental Retardation/ Substance Abuse, Human Services and Library) Transfers to the Special Revenue Fund.....	26,753,179	-	-	-
Transfer to DASH.....	4,082,830	681,833	16.7%	592,551
TOTAL EXPENDITURES & TRANSFERS	\$ 349,357,820	\$ 56,668,206	16.2%	\$ 49,140,738

8

Attachment 3

**CITY OF ALEXANDRIA
SELECTED ECONOMIC INDICATORS**

	<u>Current Year</u>	<u>Prior Year</u>	<u>Percent Change</u>
<u>Consumer Price Index (CPI-U)</u> for the Washington-Baltimore, DC-MD-VA-WV Area (As of July 31, 2001) (Source: Published bi-monthly by United States Department of Labor, Bureau of Labor Statistics)	110.8	108.4	2.2%
<u>Unemployment Rates</u> Alexandria Virginia (As of July 31, 2001) (Source: United States Department of Labor, Bureau of Labor Statistics)	1.9% 2.9%	1.5% 2.6%	26.7% 11.5%
United States (As of August 31, 2001) (Source: United States Department of Labor, Bureau of Labor Statistics)	4.9%	4.1%	19.5%
<u>Interest Rates</u> (As of August 31, 2001) Prime Rate Federal Fund Rate (Source: SunTrust Economic Monitor)	6.50% 3.50%	9.50% 6.51%	<31.6%> <46.2%>
<u>New Business Licenses</u> (During August) (Source: Finance Department, Business Tax Branch)	94	93	1.1%
<u>New Commercial Construction</u> (As of July 31, 2001) Number of New Building Permits Value of New Building Permits (Source: Fire Department Code Enforcement Bureau)	7 \$ 10.9 million	3 \$20.2 million	133.3% <46.0%>
<u>Residential Real Estate Indicators</u> (for the three months ended March 31, 2001) Residential Dwelling Units Sold Average Residential Sales Price (Source: Department of Real Estate Assessments)	595 \$224,254	510 \$223,134	16.7% 0.5%